Shaping Policy in Mongolia

Strategic Impacts of the Economic Policy Support Project (EPSP)

Prepared for the United States Agency for International Development under Contract No. 410-C-00-93-00483

February 2004

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EXECUTIVE SUMMARY

From 1995 through September 2003, the United States Agency for International Development (USAID) provided intensive technical assistance to the Government of Mongolia (GOM) on a broad range of economic policy reform challenges through the Economic Policy Support Project (EPSP). With limited resources, the project succeeded in shaping economic policy in Mongolia during a critical period in the country's transition to a market economy. While other factors (and donors) contributed, EPSP has had a discernible impact on policy formulation and implementation. The project managed to establish an effective working relationship and a high level of trust with GOM leaders, in particular the Prime Minister's Office, largely on the strength of a flexible, undogmatic approach that stressed the highest standards for any advice proffered. Advice at times took concrete form: in a key sector, banking, USAID intervention under EPSP demonstrated the viability of state-owned enterprises run on market principles prior to— and in preparation for—privatization. As a result, policy reforms responding to project guidance enjoyed an unusual degree of ownership in the government and more broadly in Mongolia's polity, which proved critical to their adoption.

EPSP combined flexibility in responding to government requests for assistance with a steady commitment to an underlying policy agenda aimed at building a functioning—and competitive—market economy. EPSP assistance was "demand-driven," but the demands flowed from a strategic appraisal of needs and options undertaken jointly by the government and project advisers. These demands reflected the nation's as it sought to cope with emergencies and lay the foundations for a successful transition to a market economy.

Reflecting the complexity of managing the transition from a socialist to a market economy, the strategic impacts of EPSP assistance covered a broad range of issues:

? Promoting articulation and vetting of economic policy agendas, strategies, programs, and action plans to establish clear priorities and ensure swift implementation, and enhancing governance and transparency, in particular fostering public-private sector dialogue and increasing public input to the policy-making process through an open government web site;
? Maintaining macroeconomic stability and improving macroeconomic management based on careful analysis and modeling;
? Taking steps to avert or cope with emergencies in key sectors, in particular a banking crisis in 1996 and financial chaos in the power sector;
? Liberalizing prices, including some energy prices;
? Strengthening exchange rate management, and advancing the implementation of an open trade regime linked in part to the country's World Trade Organization (WTO) accession in 1997;
? Advancing privatization, in large part by demonstrating the benefits of pre-privatization restructuring (banking) or by crafting the critical legal and regulatory framework for a successful transition to a market-based system (energy);

? Improving fiscal management, including tax reform, VAT and corporate income tax analysis, and tax administration;
? Addressing systemic issues in the development of the country's financial sector, such as excess liquidity in the banking system, through capital market development initiatives, including the introduction mortgage-backed securities;
? Adopting a comprehensive pension reform to move from a traditional pay-as-you-go system to one of individual accounts and ultimately a partially funded variant that both addressed the weaknesses of the current system and contained the risks of a rushed transition to funded systems;
? Incorporating the informal sector in the development policy agenda through a better understanding of its role and characteristics; and
? Improving the competitiveness of agricultural activities, in particular meat and cashmere.

Across all of these policy areas, the project succeeded in breaking down barriers to effective technical assistance and in shaping economic policy reform in Mongolia. Part of the reason for its success was a state of preparedness when the 1996 election put in power a United Democratic Coalition, which demanded expert advice in an ambitious economic policy reform agenda. Part of its success was due to unwavering commitment to the highest standards in selecting both expatriate and Mongolian project advisers. Finally, a pragmatic commitment to solving the problems of economic transition engaged the counterparts actively, built an atmosphere of trust, and ensured real ownership of the design and implementation of economic policy reform. EPSP exemplifies the potential of an entrepreneurial approach to policy reform in advancing the market agenda.

INTRODUCTION

For eight years, from 1995 through September 2003, USAID provided intensive technical assistance across a broad range of economic policy to the GOM through EPSP. USAID is now continuing its policy support within the framework of the more comprehensive Economic Policy Reform and Competitiveness (EPRC) Project, which also includes an enterprise development component, in effect a successor to the Mission's Competitiveness Initiative.

The basic mandate and approach of EPSP differed little from that of similar donor-sponsored efforts in the former socialist bloc (or in developing countries, for that matter). That approach was to guide and support policies to move the country to achieve a market economy capable of surviving and prospering in the global environment. What distinguishes EPSP from similar endeavors in other countries is the degree of ownership exercised by the GOM in terms of both agenda and results. Physically and institutionally located in the Prime Minister's Office, EPSP and its advisers gained a measure of trust and access that made them in effect part of the policy-making apparatus. They worked with counterparts in the Prime Minister's Office and elsewhere in the government to assess the need for reform, assign priorities, develop an agenda, explore the implications of alternative solutions, build consensus around the preferred alternative, and translate policy choices into policies. Project activities were "demand-driven," not so much in terms of what the government wanted to do, but rather by the demands of an economy in transition from socialism to market rule. The joint strategic analysis ensured a shared agenda and strengthened the project's ability to respond effectively to policy reform needs. This entrepreneurial approach to technical assistance in policy reform, understanding and cultivating the market for policy advice, paid off in the shape of a real impact on economic policy in Mongolia since the mid-1990s.

The demand for policy advice cannot be narrowly circumscribed. It flows from—and reflects—the complexity of economic transition at all levels and in all sectors. The range of technical assistance provided under EPSP responded to this complexity, for example, by:

? Laying out and implementing emergency measures to prevent the collapse of the banking system;
? Demonstrating the viability of commercial banking under proper management;
? Restructuring the country's pension system over the medium and long term;
? Exploring strategic options with the use of sophisticated macroeconomic modeling;
? Fostering a productive dialogue between private enterprise, civil society, and the government; and
? Crafting the foundations for a healthy energy sector operating under market rules.

EPSP's success in breaking down barriers to effective technical assistance and shaping economic policy in a crucial phase of transition to a market economy suggests a slightly different perspective for a final assessment of the undertaking. A long string of reports and other documents detail the accomplishments in different areas of project activity (see Annex A); this report therefore highlights only a few of these accomplishments, and focuses more on the impacts of the project in terms of shaping policy, and on the factors that influenced these impacts.

This approach means going beyond the framework of logic models widely used in program evaluation. While such models may be helpful in structuring an assessment, they are ultimately inadequate for a complex activity like EPSP. They are basically linear, with an explicit cause-effect structure. Policy reform, alas, is not a linear, balanced process. While successful policy reform requires an underlying agenda to achieve changes in the economic context, it is often driven by unpredictable crises or opportunities. It bears a closer resemblance to Hirschman's theory of unbalanced growth than to the policy engineering concepts that have often dominated donor thinking about technical assistance in policy reform.

In advancing policy reform, the ability to respond swiftly and meaningfully to crises and opportunities is one element of effective technical assistance. The other is the recognition that ownership of the new policies is critical to success. Ownership ensures that policy reforms respond to the needs and constraints of the particular context, and—perhaps more importantly—that new policies are actually implemented. In that respect, successful policy reform is the outcome of a social learning process, as David Ellerman has argued. Orchestrating and guiding this learning process then becomes another pillar of effective technical assistance to policy reform.

Juxtaposing the notions of unbalanced growth and social learning with the causal structures of logic models may not make for a neat conceptual framework. But it does guide us in exploring EPSP's impacts and extracting some broader lessons about approaches and factors that matter.

THE EVOLUTION OF THE PROJECT

The Setting

In 1924, Mongolia became the second country, after the Soviet Union, to turn communist. The country's economy was closely integrated with that of the Soviet Union, which also provided significant budgetary support (covering roughly 30 percent of government expenditures). The collapse of the Soviet Union triggered pro-democracy protests in Ulaanbaatar that led to the ouster of Mongolia's communist government in 1990 and ruptured economic linkages.

By the mid-1990s, the country had made faltering progress toward a democratic market economy. A new constitution adopted in 1992 established a presidential-parliamentary system. Subsequent elections—generally considered fair and open—in effect extended the communist rule, giving the Mongolian People's Revolutionary Party (MPRP), the former communist party, an overwhelming majority in parliament, with 72 of the 76 seats. The dominance of the MPRP raised concerns about the effectiveness of the opposition and the viability of democratic institutions. The country lacked professional and independent media. Bias and corruption were rife in the judiciary and various elements of civil society lacked effective representation.

As in the former Soviet republics, the transition brought hardships. Mongolia's gross domestic product (GDP) shrank by a quarter between 1989 and 1994. GDP growth resumed in 1994, primarily driven by favorable world market prices for copper, Mongolia's largest export. Poor fiscal management compounded the loss of subsidies from the Soviet Union, sharply curtailing funding for public services. For a country that had enjoyed relatively high standards in healthcare, education, and cultural activities, these cuts exacerbated the economic hardships. The budget deficit reached almost 10 percent of GDP, and inflation exceeded 50 percent per year (1994-1995). The current account was volatile, the country's industries (with the exception of copper) were unable to compete in world markets, and the infrastructure was deteriorating, dependent on foreign aid for maintenance.

On the economic policy side, the government had introduced some of the most urgent reforms needed for the transition to a market economy. A mass privatization program, launched in 1991, covered livestock and most small and medium-sized enterprises. The government had also taken steps toward more flexible interest and exchange rate regimes, and the economy was opening up to international trade. But by the mid-1990s, reforms had stalled:

? Privatization was at a standstill;
? The state still dominated industry;
? Directly or indirectly (through state-owned enterprises), the state owned much of the commercial banking sector, and with the exception of the Trade and Development Bank, commercial banks were insolvent;
? Discussion had not even begun about introducing private ownership and market principles to key infrastructure sectors;
? The social sector policy debate was largely a continual battle over wage increases;
? Government "Price Consensus Commissions" remained responsible for overseeing prices of key consumer goods such as flour and meat, even when provided by private businesses; and
? Utility tariffs had not been adjusted for nearly two years, during which time overall inflation had been 75 percent. The power and coal sectors were operating at a large loss, failing to maintain their plant, and imposing growing financial burdens on the banking sector and the budget.

In this situation, the surprise victory of the strongly reformist United Democratic Coalition in the 1996 parliamentary elections, and the subsequent appointment of a cabinet led by Mendsaikhany Enkhsaikhan, a dynamic economist, created a real opportunity to revive economic policy reform. The change in governing economic philosophy that occurred at this time was almost as dramatic as in the initial period following the collapse of communist rule.

At this critical juncture, the existence of the EPSP, which had grown out of a Regional Technical Support Project USAID launched in 1993, targeting several countries in East Asia, gave USAID a unique ability to respond quickly and effectively to the new government's request for support in its initial months in office. By then, EPSP had built up substantial capacity, especially with respect to local professional staff. The ability to respond to assistance needs without delay clearly and favorably distinguished USAID from other donors, whose programs were largely oriented to the previous regime's approach. It laid the foundation for an extended period of close cooperation in implementing an ambitious economic reform program.

The Four EPSP Phases

The response to the assistance needs of the new government marked the real launch of the project. Its approach and emphasis evolved over time, defining roughly four phases:

1. Helping the new government of the United Democratic Coalition articulate its economic policy agenda and supporting its introduction to the international community;
2. Assisting with critical early actions to translate the economic policy agenda into reality, address urgent economic problems, and establish a new liberal environment. Actions during this phase included abolishing government price-setting bodies, swiftly launching a housing privatization initiative to jump start privatization, significantly adjusting public utility prices, and closing two large insolvent commercial banks;
3. Supporting the design and implementation of longer-term structural reforms, in particular in the energy and financial sectors, with a focus on privatization. In this phase, USAID programs continued to advise on specific economic policy issues and assist the government in abolishing all customs tariffs in 1998 and promoting foreign investment.
4. Reintegrating the strands of economic policy reform into a coherent strategy aimed at building the competitiveness of the Mongolian economy and boosting growth.

The distinction between phases is, of course, somewhat arbitrary, and some overlap is unavoidable, but the four phases best describe the evolution of the Project.

Phase I, August-September 1996: Articulating the New GOM Agenda

EPSP established contact with the new Prime Minister, Mr. Enkhsaikhan, even before the cabinet was formed (in July 1996), and initiated discussions regarding future cooperation. As a result of these discussions, the three Mongolian economists associated with EPSP transferred from the project to serve as the Prime Minister's direct economic advisers, with one of the three, Mr. Ts. Batbold, as the Senior Economic Adviser. In addition, EPSP organized a weekend workshop in August for the new cabinet as a forum for articulating the new government's agenda.

The entire cabinet, along with the Chief of the Cabinet Secretariat and the head of the State Property Committee, participated in the workshop. In addition, the Deputy Governor of the Bank of Mongolia and two key Members of Parliament attended most of the sessions. EPSP prepared the workshop agenda and assisted with drafting all documents. Speakers included four current or former senior advisers to the Solidarity government in Poland and the Yeltsin administration in Russia, the Prime Minister of Estonia, and the Government of Indonesia, as well as the Chief of Party for the project.

A particular focus of the workshop was energy prices. Presenters stressed the need to move quickly and decisively or risk falling into a trap with no escape. The deliberations clarified participants' understanding of the costs of delayed action—Prime Minister Enkhsaikhan later told USAID that the workshop changed his views completely on this subject.

At the end of the workshop, participants discussed and approved a concrete economic reform agenda for the government's first year in office, drafted on the previous evening in a meeting between the EPSP Chief of Party, one of the visiting speakers, and the Prime Minister. This agenda included immediate, simultaneous, large increases of key administered prices, the abolition of Price Consensus Commissions, a more resolute bank restructuring plan, a new and more rapid privatization program (starting with housing privatization), a fiscal policy emphasizing smaller government, and new approaches to aid coordination and social issues.

The Prime Minister subsequently requested EPSP assistance in drafting a letter to Mongolia's donors introducing the government's reform agenda. The International Monetary Fund (IMF), World Bank, and Asian Development Bank (ADB) responded favorably, supporting the policy directions.

Phase II, September-December 1996: Resolving Urgent Problems

The agenda approved by the cabinet at the workshop guided the government's policy making for its first year and beyond. In the energy sector, the government sought to stem the cascading losses by raising prices sharply. Within a year, electricity tariffs more than doubled. However, under a new lifeline policy, the government granted households a small consumption allowance at the old tariff. At the same time, prices for other energy products (heat, coal, petroleum) rose in a similarly drastic fashion. These increases brought the energy sector from pervasive losses—more than 1 billion togrogs (MNT) in 1995, and MNT 4 billion in 1996 (approximately US$2.1 and $8.6 million, respectively)—to a profit of MNT 3.6 billion ($7.7 million) in the first half of the 1997. As a result, the sector finally had resources adequate to cover its maintenance and investment expenses. Moreover, the improved financial picture enabled the government to begin to clear up the complex web of arrears and cross-arrears linking the different components of the energy sector. These swift and decisive actions established the basis for the next phase of energy sector reform—commercialization and privatization. More than any other measure, they convinced the multilateral organizations of the seriousness of the new government's reform agenda.

For petroleum products, the government first raised prices and then removed price controls altogether. This step was part of a broader program of price liberalization. The government abolished the Price Consensus Commissions and allowed market forces to determine prices for most products.

Another target for immediate action was the financial sector, in particular banks and pensions. With technical support from EPSP, the government entered into discussions with the IMF and the ADB to develop a program to restore the banking sector to financial health. As an immediate measure, it closed two insolvent banks, the country's largest (People's Bank) and fourth-largest (Insurance Bank), on December 13, 1996, and created a National Savings Bank. Careful preparation of the closures helped avoid any panic and minimized macroeconomic disruptions. At the same time, the government's resolute action sent a strong signal to the remaining commercial entities: no bank was too big to fail, and owners and management would be held accountable for their banks' performance.

The parliament approved a new privatization program designed swiftly to privatize urban housing. Finally, the government promulgated new pension rules to ease urgent budget pressures.

Phase III, 1997-2001: Steadying the Reform Course

The intensive involvement of EPSP advisers in the formulation and implementation of the GOM's reform strategy naturally led into a major program of support in subsequent years. Through the project, USAID emerged as the key provider of technical assistance to the GOM in the design and implementation of policies in the financial and energy sectors, as well as in privatization and agricultural development. EPSP advisers also played important roles in trade policy reforms, in particular the removal of import duties in March 1997.

Financial Sector Reforms: Banking

Following the closure of two large insolvent banks in 1996, the Mongolian banking sector had a strong year in 1997. However, in early 1998 concerns grew about three other large commercial banks: the Bank of Investment and Technological Innovation, the Agricultural Bank, and the Reconstruction Bank (established following the 1996 bank closures, at ADB's insistence). Following discussions between the GOM, USAID, IMF, and ADB, project advisers worked at each of these Mongolian banks to study their situation more closely and develop strategies for either closing or restructuring them. The result of this effort was:

? Reconstruction Bank—license revoked and bank closed in 2000;
? Bank of Investment and Technological Innovation—license revoked and bank closed in 2000;
? Agricultural Bank—agreement reached with Bank of Mongolia and State Property Committee, in close coordination with the World Bank and IMF, for GOM to recapitalize the bank and sign a management contract with Development Alternatives, Inc. (DAI) under the EPSP project; the contract was signed in July 2000 and DAI mobilized a U.S. Chief Executive Officer and Chief Operating Officer for the bank, along with a new senior Mongolian management team; and
? The last of the surviving banks, the Trade and Development Bank, was slated for privatization to foreign investors (privatization completed in 2002).

By 2001, a sector that in 1996 was still state-dominated—either through direct ownership or through indirect ownership via other state-owned enterprises—now comprised mostly private institutions, in addition to two banks well on their way to being privatized. Insolvency had turned to profitability.

Financial Sector Reform: Pensions

In 1996, Mongolia's pay-as-you-go pension system was facing serious financial difficulties, in spite of favorable demographic structures. Government largess soon after the fall of the communist regime, in the form of highly favorable retirement terms for various special groups, had created a large group of young retirees slated to receive pensions for many years. The national pension system bore the brunt of the costs and was unable to cope with this extraordinary burden.

The government was ready to address these problems but was receiving conflicting advice on how best to restore the pension system's financial viability. Capital markets experts from various donor organizations argued for a relatively rapid move toward a funded pension system, with (at least) a mandatory second pillar invested in financial assets. Others promoted the opposite approach, focusing on steps to strengthen the long-term financial viability of the existing "solidarity" system. The ADB, albeit through different offices, was the strongest proponent of both of these incompatible approaches.

In 1997, the Prime Minister's Office, in consultation with the Social Policy Standing Committee of the Parliament, approached EPSP for assistance in developing Mongolia's pension reform strategy. Over the next three years, EPSP served as the strategic adviser to government on pension reform. EPSP advisers recommended a gradual transition to a partially funded system, focusing on creating non-funded individual accounts for all participants born after 1960. The recommended approach focused on building the infrastructure needed to support a future shift to partial funding. It was designed to establish a link between contributions and eventual benefits for growing numbers of participants, and to break the traditional mentality that the state is responsible for ensuring the welfare of all pensioners. At the same time, the system took due account of two strong arguments against immediate funding: the lack of acceptable domestic investment instruments, and the lack of financing for the transition costs that would arise if even a portion of current contributions are no longer available for funding current benefits.

The GOM accepted these recommendations. In 1999, the parliament approved the two key laws to set up the new system, the "Main Guidelines of Pension Reform" and the "Law on Individual Pension Accounts." The reform enjoyed support from all major parties, and its implementation continued after the MPRP election victory in 2000. EPSP sponsored a limited campaign to educate the public about the new system.

Energy Sector Restructuring and Commercialization

In a study of the economic health of the Mongolian energy sector completed in October 1997, EPSP economists concluded:

> *"As a result of the price increases for electricity, heat and coal there has been a marked improvement in the financial situation of the energy sector over the last year. This is reflected in a dramatic turnaround in the profitability of the energy system, as reported in their financial statements... [However] Analysis of the financial situation of the energy system as a whole has not yet led to any improvements in the conditions of the power plants themselves. Although price increases were a necessary step to create a financially sound energy sector, unless other steps are taken to accelerate sectoral restructuring the price increases will not produce the desired results."(Bikales, Ganzorig, Gaamaa, EPSP 1997—see Annex A).*

As GOM attention shifted to sector restructuring and commercialization, and the establishment of an institutionalized mechanism for tariff adjustments, EPSP was tasked with supporting this effort, in particular assisting the Ministry of Infrastructure Development. To familiarize Mongolian officials with successful programs to restructure energy sectors in transition from socialism, EPSP linked Mongolian energy officials with counterparts in Hungary. GOM policy makers, including several MPs, visited Hungary, and Hungarian officials visited Mongolia regularly to provide guidance based on first-hand experience with these problems.

Much of EPSP's assistance focused on drafting a new energy law to unbundle the monolithic power sector into independent generation, transmission, and distribution enterprises, and to create an independent regulatory body. However, passage of the law was slowed by political problems in Mongolia from Summer 1998 through the elections in Summer 2000. During this period, technical assistance slowed down significantly, awaiting the passage of the law as a precondition for further support. Following the 2000 elections, the government submitted a new draft law to parliament, containing all key provisions of the earlier legislation. This new law passed through parliament in spring 2001.

Privatization

The Enkhsaikhan government was determined from the start to make privatization a major component of its economic program. The first step was the passage of legislation in September 1996 to transfer ownership of apartments to their current occupants, which yielded immediate benefits for the economy. First, the new owners of ground floor apartments often converted them into shops and small businesses, boosting growth in the retail and small business sector (but decreasing the supply of housing). Second, apartments became a major asset for the majority of the population, and the buying and selling of apartments quickly grew into a large market.

The next steps in privatization took longer than originally expected, however. The GOM requested assistance from the Soros Foundation, which sent some world-renowned authorities to help develop a program of auctions to sell off most of the remaining state businesses. The design of the program took a long time; the final proposal relied on a complicated form of sealed bid auctions that was difficult to administer.

In the spring of 1998, USAID agreed to provide technical assistance to the GOM privatization program and launched a new project, the Mongolia Privatization Project, in the fall of that year. Advised and assisted by EPSP, the GOM revised the sealed bid auction program, making it much more effective. It also focused attention—for the first time since the end of communist rule—on developing a program to attract foreign strategic investors by offering some of the most profitable state-owned enterprises for sale, such as the Trade and Development Bank, Gobi Cashmere, the NIC Petroleum Import Corporation. Although no sales actually took place until 2002, the simple act of creating that list of "most valued companies" (MVCs) greatly facilitated the sale of other large enterprises to domestic investors.

EPSP Support to Other Reforms

EPSP advisers helped shape many other policy reforms during this period. A few examples outline the breadth of strategic interventions:

? EPSP experts participated actively in discussions of trade policy reforms which led to the decision to eliminate all customs duties, and they helped integrate this and related measures into a package acceptable to the IMF;
? EPSP staff, in particular economist D. Turbat, played leading roles in developing the new Mongolian Minerals Law in 1998, which triggered a dramatic increase in foreign investment in this key sector;
? Project-funded economics scholarships to GOM staff helped strengthen several GOM institutions, most crucially the Bank of Mongolia, but also the Ministry of External Relations, the Ministry of Finance, and the Prime Minister's Office; and
? EPSP funding advanced discussions of a new approach to public administration reform—the support included a visit by a New Zealand reform veteran to address the cabinet in February 1997, and though this reform got bogged down in politics, eventually the new law was passed in 2002.

Phase IV, 2001-2003: Enhancing Strategy and Governance

The elections of 2000 returned the MPRP to power, once again giving it a dominant majority with 72 out of 76 seats in parliament. This reversal on the political front, however, had a rather muted impact on the pace and pattern of economic policy reform. When the government changed, key initiatives were under way in the banking and energy sectors, and the new government ultimately took ownership of these initiatives. Another Mongolian economist from the project was appointed economic adviser to the new MPRP Prime Minister.

As part of its focus on development strategy, the government requested EPSP assistance in developing a macroeconomic model for Mongolia that would allow for assessment of the implications of strategic alternatives. The Mongolia Macroeconomic Model (MMM) represents a powerful tool for designing development strategy and determining priorities. With support from EPSP, the government used the model to evaluate the impact of proposed wage hikes for government workers, changes in the tax system, and utility tariff changes, or of major investment projects such as Boroo Gold.

EPSP continued to contribute to privatization in this period, particularly in the financial sector. The rapid turnaround of the Agricultural Bank of Mongolia achieved by the management team contracted under the project encouraged the government to privatize another bank, the Trade and Development Bank, through international tender. Subsequently, it successfully privatized the Agricultural Bank through the same process, with support from USAID's Privatization Project. The success of the management contract in preparing the Agricultural Bank for privatization has triggered interest in a similar approach to privatizing Mongolian Airlines (MIAT).

POLICY IMPACTS IN KEY AREAS

Privatization

Mongolia has accomplished much in the area of privatization. Remaining challenges in this area center on a few MVCs, especially the entities created in restructuring the energy sector, and land. In general, EPSP has pursued and advocated a pragmatic approach to privatization. Project advisers stressed the need for restructuring and commercializing large (and strategic) state-owned enterprises prior to privatization. This stance, which at least initially was at odds with the position prevailing in other USAID-assisted countries, reflected in part the disappointing experience with the straightforward transfer of ownership "as is," leaving the needed restructuring to the new owner. Privatization without prior restructuring, and especially without building the requisite legal and regulatory framework, tends to discourage serious strategic investors. As a result, net revenue from privatization is less, and—more importantly—the winning bidders may lack the managerial capacity to improve performance. At a minimum, the government must offer an adequate and credible regulatory commitment so that prospective buyers know and to some extent trust the rules of the game. This approach has proven its worth in the case of Mongolia's banking sector, and forms the basis for EPSP's guidance to the energy and insurance sectors.

Land privatization raises different issues. Here, EPSP advisers reviewed and commented on draft laws on land, land fees, and land ownership. These laws were subsequently passed by parliament in 2002 and 2003. The government faces a difficult challenge in implementing these laws successfully. A major ADB project is providing assistance in meeting this challenge.

Between 1995 and 1999, the private sector share of the country's GDP rose from 55.1 percent to 72.2 percent. The gains are even more striking when the early herding privatizations are not considered in the comparison: over the same period, the private sector share of industrial value added rose from 20.0 percent to 64.7 percent. Recent patterns in the private sector's share of GDP show an economy that is completing its transition to private ownership in many sectors.

Figure 1: Private Sector Gains, 1999 to 2001

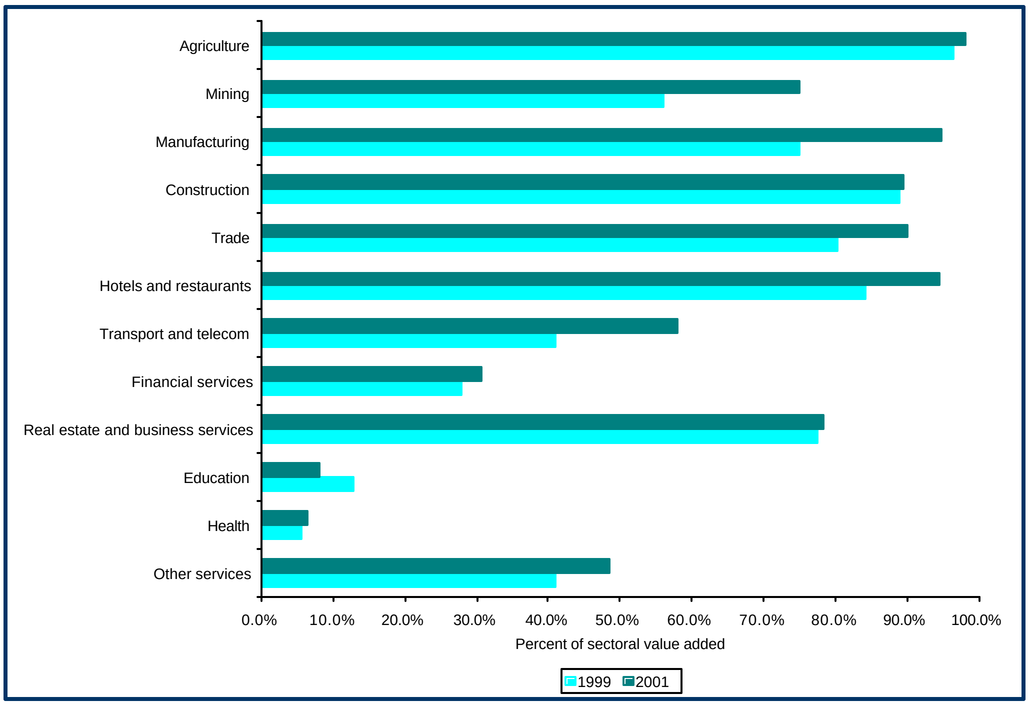
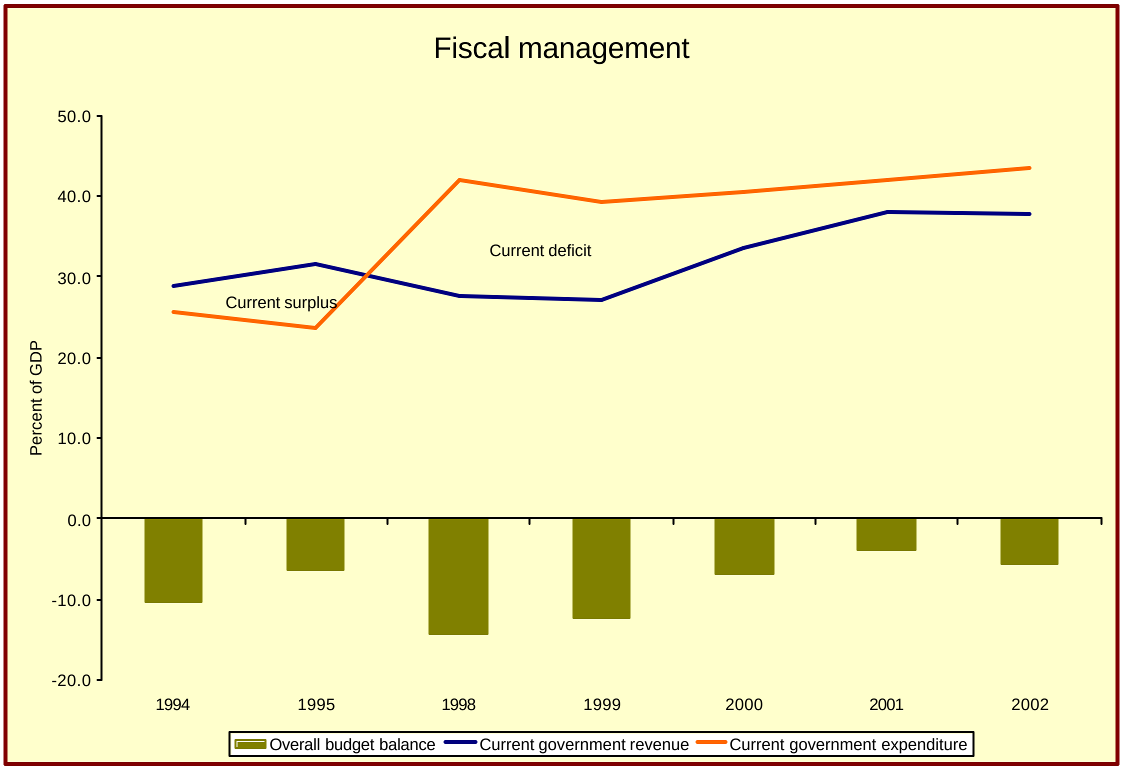


Figure 1 shows further progress between 1999 and 2001. The lagging sectors in terms of private ownership have been mining (dominated by Erdenet Copper, a Mongolian-Russian state-owned company), transport (rail and air), financial services, and other services, which included energy. The situation in the banking sector has changed since with the privatization of the Trade and Development Bank and the Agricultural Bank, where EPSP interventions have made substantial contributions.

Macroeconomic and Fiscal Policy

Prudent and effective fiscal policy is key to both macroeconomic stability and growth. In this area, EPSP provided technical assistance on the expenditure side (budget management) and the revenue side (tax structure and administration). Between 1996 and 1998, EPSP advised the Ministry of Finance and Economy (MOFE) on budget management through long-term technical assistance, complementing assistance and advice from the World Bank and the IMF. From 2000 to 2003, EPSP relied more on visiting short-term advisers to provide technical assistance on taxation and tax administration, with the General Department of National Taxation and MOFE as their counterparts. Figure 2 provides some indicators of fiscal performance. The government has reined in the high current and overall deficits of the late 1990s, but the 2002 overall deficit still stood at 5.7 percent of GDP. Moreover, the data also provide some indication of the continuing dominant role of the government, with current revenues and expenditures around two-fifths of GDP.

Figure 2: The Government Budget, 1994-2002



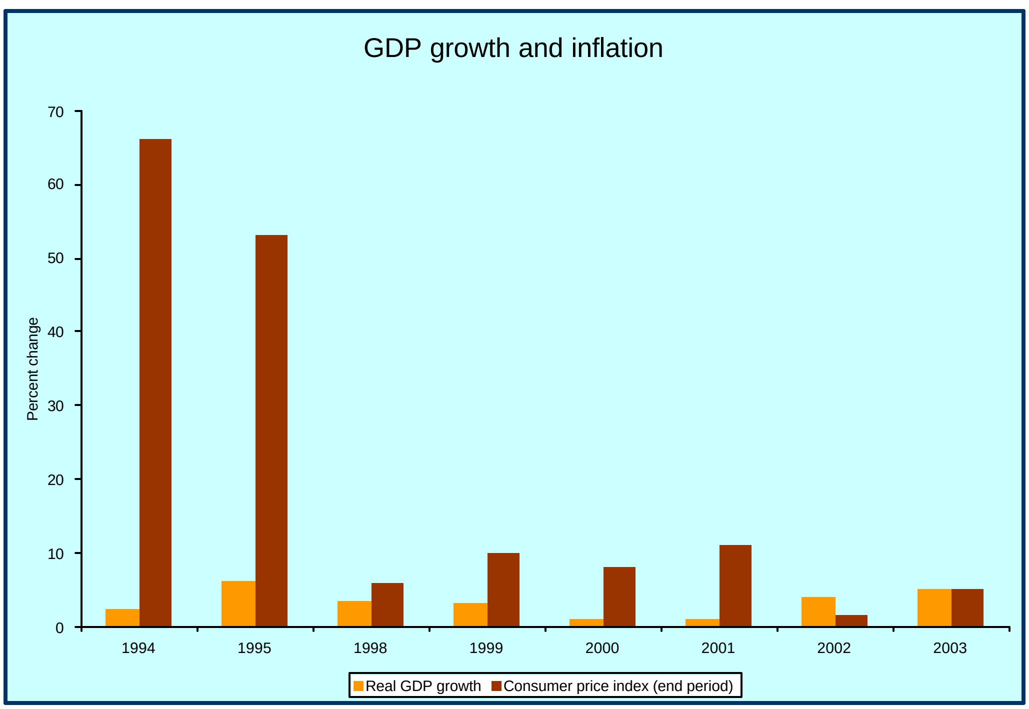
With respect to fiscal management, EPSP's advice covered a broad range of issues facing the GOM. EPSP advisers drafted technical memoranda that went far beyond fiscal or expenditure management as narrowly defined, covering topics such as treasury functions, exchange rate determination, and government debt instruments (bonds). EPSP also provided technical assistance on foreign aid issues, such as the IMF's Enhanced Structural Adjustment Facility program or the Russian ruble debt. Capacity building efforts in this context involved significant investments in training of counterpart staff.

Technical assistance on tax reform focused on recommendations for improving tax laws and implementing regulations, tax administration, and tax assessment and collection. The basic objective was to develop a fair and effective tax system competitive with other jurisdictions, while maintaining the GOM's revenue base. Although EPSP addressed the tax regime as a whole, its principal concerns were the corporate income tax and the value-added tax, with personal taxes, excise taxes, and customs duties seen as lower priorities. GOM tax policies have incorporated several of EPSP's recommendations. At the same time, other proposals for tax reform, targeting current weaknesses at the sectoral and firm level, remain to be implemented.

Capacity building and training played a key role in this area of technical assistance. A corporate income tax (CIT) model provided a tool for assessing the implications of alternative tax provisions. The model used a microsimulation approach, estimating the effects on revenues of different provisions in the tax regime by using the tax form to compute the CIT payable by a sample of taxpayers. Given CIT information for all taxpayers in the economy, the model exactly reproduces CIT revenues. Similarly, the fiscal component of the macroeconomic model developed by EPSP—the Mongolia Macroeconomic Model (MMM)—enables government analysts to evaluate the impact of tax changes on government revenues in the context of an overall economic framework. The fact that counterparts participated in developing these analytical tools, combined with intensive training for technical staff, provide the basis for continued use.

The government has succeeded in bringing down inflation from the high rates of the mid-1990s, as illustrated in Figure 3. At the same time, growth has been anemic, especially in the 2000-2003 period. Mongolia remains too dependent on the prices of raw materials, especially copper, for its overall economic performance.

Figure 3: GDP Growth Rates and Consumer Price Index, 1994-2003



EPSP advice contributed to the GOM's success in maintaining macroeconomic stability since the late 1990s. However, macroeconomic stability remains vulnerable to changes in policy.

For example, using the MMM to analyze the impacts of a mooted policy of general wage increases for government workers suggested that macroeconomic stability would suffer.

Structural Reform and Competitiveness

Complementing other USAID projects, notably the Competitiveness Initiative, EPSP supported business associations to help build an effective public-private sector dialogue. The U.S. Embassy played a key role in these efforts, and was active in promoting the North American Mongolian Business Council (NAMBC), arguably Mongolia's most effective nongovernmental organization in the policy dialogue. EPSP became involved in the NAMBC partly because of the importance of issues tackled, such as regulatory and tax problems, and partly because the management of the Agricultural Bank was actively engaged in this organization.

From 2000 to 2001, EPSP also provided technical assistance to Mongolia's traditional agro-economic sectors—meat processing and cashmere—complementing assistance furnished by USAID's Competitiveness Initiative. Specifically, EPSP helped to form and develop the Mongolian Association of Meat Exporters (MAME). It also sponsored an evaluation of the cashmere breeding program, another target of efforts to sharpen the competitiveness of Mongolian producers.

Success in promoting competitive performance should be reflected in improved performance in competitive export markets, as a result of better targeting and improved efficiency. An indicator of the relative attractiveness of export markets is the growth rate of total world imports for a particular category relative to total imports (or total trade volumes). A measure of performance is the gain or loss in market share for particular goods.[1] A growing market share in a growing market suggests good performance. Table 1 provides some idea of the relative performance of Mongolia's exporters for the top 16 commodity groups, as defined by the Harmonized System (HS) for customs statistics. The 16 commodity groups shown are those in which Mongolia exported at least $1 million to the world's leading economies in 2002 (including its main traditional markets, China and Russia).

The leading export category remains HS 26, which for Mongolia means primarily copper ore, which accounted for roughly 38 percent of total exports in 2002. From 1999 to 2002, the total world market for these commodities grew slightly, and Mongolia's market share remained stable. Mongolia registered strong gains in the worldwide apparel market (HS 61 and 62), which contracted somewhat between 1999 and 2002. Apparel and textile-related exports accounted for roughly 45 percent of Mongolia's 2002 exports, with much of that going to the U.S. market. Yet the only textile category where Mongolia gained market share in a growing market is the residual HS 63, "textile articles, not elsewhere shown or included." The only other case—aside from the special cases of copper and oil—of a "rising star" among Mongolia's exports is leather (HS 41), where Mongolia's exporters registered gains in their share of a growing market. While gains in the world market for textiles may be fleeting, in

[1] This approach follows the TradeCAN method developed by ECLAC/World Bank.

part a result of quota restrictions that are being phased out, the important point is that Mongolia's economy has demonstrated its ability to overcome the "resource curse," the export dependency on raw materials, in particular copper ore. But much remains to be done to expand in growing markets.

A word of caution: looking at export performance at the 2-digit HS level only provides a rough approximation, and may actually be misleading at times. Even so, the information does suggest that structural reform and enterprise development efforts need to accelerate to improve the competitive performance of Mongolia's economy.

Table 1: Mongolia's Export Performance, 1999-2002

HS	Description	Relative growth of market	Growth of Mongolia's market share	Total 2002 exports (USD million)
26	Ores, slag and ash (copper)	0.7%	0.1%	191.7
61	Apparel articles and accessories, knit or crocheted	-0.8%	49.0%	115.0
62	Apparel articles and accessories, not knit, etc.	-1.7%	16.9%	68.7
51	Wool and animal hair, including yarn and woven fabric	-4.0%	-8.0%	39.6
02	Meat and edible meat offal	-0.8%	10.3%	22.8
41	Raw hides and leather	3.0%	7.7%	16.3
25	Salt, sulfur, earth and stone, lime and cement plaster	-4.1%	-8.3%	12.8
08	Edible fruit and nuts	-2.7%	86.7%	3.7
27	Mineral fuel, oil, etc.	10.5%	16.6%	3.1
71	Precious metals (gold)	-1.0%	3.1%	3.0
05	Products of animal origin, nesoi	-5.1%	-13.6%	2.2
63	Textile articles, nesoi	1.7%	152.3%	2.1
60	Knitted or crocheted fabrics	-3.4%	-16.0%	2.1
76	Aluminum and articles thereof	-1.3%	16.9%	1.8
72	Iron and steel	0.1%	-17.5%	1.7
74	Copper and articles thereof	-2.5%	-11.2%	1.1

Note: nesoi — not elsewhere shown or included
Source: trade statistics for 45 major partner countries

Informal Sector Activity

As in other transition economies (and developing countries), a significant portion of Mongolia's economic activity takes place in the informal sector. An understanding of the characteristics of this sector, its potential and its constraints, is therefore critical to articulating and implementing effective development strategies. Entrepreneurial activity in this sector is fueled both by necessity and opportunity. In the Mongolian context, several donors have focused on the need to leverage the entrepreneurial energy in this sector for faster growth. To obtain a clearer picture of the current situation and potential, EPSP surveyed the urban informal sector in 1999-2000, a survey generally acknowledged as the most systematic, comprehensive analysis of the relevant issues. Overall, the survey estimated that the informal sector accounted for as much as 30 percent of urban GDP, and it found that activities covered by these microenterprises contributed to raising household incomes above the poverty level.

One of the interesting results of the survey was a fairly high degree of “formality”—all of the microenterprises surveyed were registered with their local governments and were paying taxes. At the same time, there are significant costs to continued activity in the informal economy, such as the exclusion of the “informals” from any social safety net. Outside of urban areas, informal sector activities also entail high costs in terms of environmental and health problems, particularly problems related to the use of mercury in golf extraction by informal miners, or “ninjas.”

While the survey provided many insights into the workings of the informal sector, it proved difficult to extrapolate from these findings to come up with more reliable numbers on the size of the sector or its contribution to GDP. The survey established an empirical baseline, but further work is required to understand the real costs and benefits of informal economic activities, to design and implement policies to promote and facilitate “graduation” to the formal sector, and to compensate for—or alleviate—the costs of continued activity in the informal economy.

EPSP has advised government agencies on specific issues related to this sector, but a more intensive technical assistance effort will be required to help put in place a coherent and comprehensive policy toward the informal sector to promote income growth and facilitate graduation into the “real” enterprise sector. Related to the informal sector is the issue of emigrants’ remittances as a key source of funds for investment in informal sector enterprises. At the same time, emigrants’ remittances reaching Mongolian households can spur demand for goods and services provided by the informal sector. In 2003, EPSP began technical assistance in this important emerging area.

Governance and Transparency

Improving transparency and accountability in government operations and in the conduct of business is critical to the successful transition to a market democracy. EPSP contributed to changing the climate in this area both at the macro and at sectoral levels. In banking, the Agricultural Bank became a model of good governance and transparency, strengthening the banking sector as a whole and setting new standards for bank supervision as a prelude to successful privatization. In the energy sector, EPSP trained staff of the Energy Regulatory Authority (ERA) in holding open hearings and handling customer complaints. Moreover, EPSP developed an outreach campaign to raise understanding among consumers of the roles and responsibilities of different actors. At the same time, it helped put in place reporting procedures to ensure timely, accurate information on the operating and financial performance of energy entities for the GOM.

EPSP complemented these sectoral initiatives at the macro level by working directly with the Prime Minister and his advisers to improve governance, transparency, and openness for the government as a whole. In an important step, the government, with Project support, launched the open government web site in December 2001. Complementing other USAID-sponsored initiatives in this area, such as the Judicial Reform Project and the International Republican Institute's work on democratization, the web site provides a flexible channel for public input on policy issues and draft legislation. Since its launch, EPSP has continued to work with the GOM to upgrade both technology and content. At the same time, responsiveness training for government staff has encouraged greater accountability, since bureaucrats are now expected to respond quickly and effectively to inquiries by the general public.

An adequate evaluation of the impact of the web site on public sector governance poses some challenges. The level of use is fairly easy to monitor—number of hits, number of participants in policy debates, and so on—but the quality of inputs and their impact on policy are difficult to trace systematically. An important indicator, however, is the level of support this initiative has won from the government: in spite of some political risks, the Prime Minister's Office has remained very supportive, and the Prime Minister participated directly in discussions on several occasions. For a bureaucracy still shaped by the mindset of a command-and-control approach to dealing with the public, this commitment represents a fundamental shift in values.

Financial Sector Strengthening

Swift action overcame the banking crisis of 1996, averting a systemic collapse. Since then, the banking sector has made some progress, with individual problem banks either closed down or greatly strengthened. In 2004, the soundness of some individual banks, the adequacy of their capital base, and the quality of their loan portfolios may remain question marks, but there is a consensus that the banking system as a whole is quite robust. The prospect of another banking crisis is growing remote. Technical assistance under EPSP for the sector as a whole and the Agricultural Bank in particular has helped to make this type of event less likely, as did USAID-sponsored support for privatization. Assistance from donors such as the World Bank, the IMF, the ADB, and GTZ also contributed.

Other EPSP technical assistance in the financial sector has provided policy guidance regarding the insurance industry and the development of mortgage markets. For the insurance sector, EPSP advised on replacing the existing flawed insurance law and supported efforts to increase knowledge and skills in actuarial science.

The introduction of mortgage-backed securities is an important step in building markets for long-term securities and coping with excess liquidity in the banking system. EPSP's contribution was to demonstrate the feasibility of such securities and to identify the legal and regulatory steps needed. Several counterparts—the Prime Minister's Office, MOFE, the Bank of Mongolia, legislators, and the Agricultural Bank—have been instrumental in launching this initiative.

EPSP's contribution to pension reform is intertwined with the development of the financial sector. As noted above, GOM's approach to pension reform, based on EPSP's advice, was designed to address the weaknesses of the current system through a two-stage process: first, the immediate introduction of a system of individual accounts funded on a pay-as-you-go basis; and second, the gradual investment of some portion of contributions into the capital markets of Mongolia and, potentially, other countries. The individual accounts—known as unfunded defined contribution accounts or notional defined contribution accounts (NDCs)—are basically an administrative record of workers' contributions: no money flows into or out of the accounts; the balance is adjusted each year by the rate of growth in average wages over the past three years—akin to "interest" paid on the balance. While these accounts are not actually funded, they help build a link between contributions and pension benefits, and they establish an administrative infrastructure that can facilitate a transition to funded pension accounts.

Starting in 2005, the system is scheduled to add a funded component by investing part of the contributions in securities. The expectation is that the system will be roughly half pay-as-you-go and half funded by the year 2020, but the pace is at the discretion of the government, as determined by developments in capital markets and the economy.

The initial experience with implementing the scheme has been positive. The State Social Insurance General Office (SSIGO) has overcome problems posed by arrears in employer contributions, the highly dispersed population and low population density, the absence of a reliable telecommunications infrastructure, and limited financial resources to implement the initial step. As a result of the EPSP advice, Mongolia has avoided some of the disruptions that have affected more ambitious schemes launched in other post-communist countries, and it has a system that will be able to meet the country's needs as its financial markets mature.

Energy Sector Restructuring

By the time of the June 1996 elections, prices and tariffs in the energy sector had remained unchanged since November 1994 (for electricity, heat, and petroleum products) or even June 1994 (for coal). Moreover, the price structure was distorted, creating a web of massive arrears and debt among energy suppliers and intermediate and end users: coal mines, railways, power plants, petroleum distributors, and other government organizations. These debts were disrupting production and causing strains on the budget and the banks, which were forced to inject liquidity periodically to keep utilities functioning. The government's inability to address energy price issues and resolve the stalemate had been a major reason for the breakdown of the agreement with the IMF before the election.

Following the 1996 elections, the policy agenda workshop with the cabinet built consensus on the principal line of action to address the financial chaos in the investment-starved energy sector. Subsequently, EPSP economists worked with the Prime Minister's Office to translate that agenda into action, along with staff from the Ministries of Finance and Infrastructure Development. In September 1996, the government announced simultaneous increases of 50-

60 percent in electricity, heat, coal, and petroleum product prices, following up in subsequent months with further increases. In the first year of the new government, cumulative electricity tariff increases amounted to 138 percent and 120 percent for organizations and households, respectively. Heating tariffs rose by 194 percent for organizations and 100 percent for households; and coal prices rose by 177-192 percent. Under a new lifeline policy, households continued to receive a fixed, small amount of electricity at the previous low prices. After an initial 45-55 percent rise in petroleum product prices, these process too were left to market forces.

Since then, EPSP advisers continued to guide the process of demonopolization and commercialization, and especially the creation of an appropriate regulatory framework. Building on lessons learned elsewhere, the guidance went beyond the drafting of legal and regulatory texts to the establishment of administrative structures, including reporting and disclosure requirements. The project emphasized the need for credible regulatory commitment as a precondition for attracting serious strategic investors. One element of such a commitment is the presence of an independent regulator, a concept and practice many officials in former communist countries find difficult to grasp. With assistance from the EPSP, the ERA has learned from experience elsewhere, especially Hungary, and has adopted an independent mindset rare in formerly communist countries. Efforts to build the stature of the ERA as an independent regulator were further enhanced by an outreach program designed in part to gain public support.

While the energy sector remains the focus of continued reforms, decisive action at a point of crisis laid the foundations for approaching the problems of the sector systematically and effectively. Since then, the government, with EPSP's help, has taken further steps toward creating a market-oriented energy sector, without rushing into the kind of hastily conceived and executed reforms that have caused serious difficulties in other countries.

SUCCESS FACTORS

Part of EPSP's unique success in shaping economic policy reform was preparedness. EPSP was on the ground and had already built critical capabilities when the newly elected United Democratic Coalition government—long on leadership but short on policy experience—requested intensive technical assistance to meet its reform mandate. However, the effectiveness of EPSP was more than just being in the right place at the right time. The evolving structure and philosophy of the project ensured continuing access to the highest levels of government, yielding strategic impacts on economic policy. Key features of the EPSP reinforced its effectiveness:

? Working with the Prime Minister's Office as the principal counterpart. Given the parliamentary system, the impetus for reform had to come from the Prime Minister and cabinet. Closeness—both organizational and physical—to the center of power proved essential. During the period 1996-2000, three project economists became economic advisers to the new Prime Minister. At the same time, the project retained the flexibility to work with other counterparts on an ad-hoc basis for specific activities.

? Ensuring flexibility in several dimensions. In addition to flexibility with respect to counterparts, EPSP was flexible regarding the forms of technical assistance and support it provided, including long-term resident assistance in combination with short-term advisers, training of different types, and different assistance delivery mechanisms, such as management contracts or subcontracts.

? Responding to needs and requests without diluting the core focus. While EPSP was designed to be responsive to diverse needs in the area of economic policy reform, it maintained its focus on the central issues of economic policy reform at the macroeconomic and structural levels. The major USAID objective of creating an enabling policy and institutional environment providing for the rapid expansion of the private sector dovetailed well with the GOM's objective of improving economic growth rates and living standards. EPSP covered an immense variety of issues, but never lost sight of the bottom line in terms of measurable results in private sector development and accelerated growth. Requests for assistance therefore did not "come out of the blue," but were mostly the outcome of joint strategic appraisals. In effect, project leadership kept the GOM engaged in continuing strategic analysis or context evaluation to determine needs and priorities, so that the needs and requests were in fact aligned with EPSP's core focus. In this connection, it was always helpful that EPSP offered a seamless web of technical assistance running from the conception of an idea to the implementation of policies, projects, and programs. USAID later developed complementary projects addressing the needs of households and firms, as well as in the area of democratic governance.

Over time, reputation and trust were EPSP's most valuable capital in shaping economic policy reform in Mongolia. In retrospect, key to building this capital was USAID's ability to offer rapid and flexible assistance to the incoming Enkhsaikhan government in 1996. The August 1996 cabinet workshop in particular was a turning point in this respect, and cemented close relations between the project, USAID, and the new government. The project's reputation allowed it to continue an effective advisory relationship after the MPRP regained power in the 2000 elections. The degree of trust that EPSP leadership had managed to build, based to a large extent on the quality of expatriate and local staff, greatly facilitated continuity in policy reform through the political change. And again, the close tie-in with the Prime Minister's Office was instrumental in addressing urgent problems such as land reform, tax administration reform, and the creation of a more open government.

EPSP's approach was characterized by responsiveness to USAID and GOM requirements, as well as flexibility in terms of delivery mechanisms and choice of counterparts. Flexibility and responsiveness, however, only matter if the quality of the advice meets the highest standards. The price for a commitment to excellence is the possible tradeoff with rapid mobilization, especially when the expertise required is as diverse as actuarial skills development, value added tax implementation, ruble debt management, and breeding of cashmere goats. The "Interim Evaluation" of 1997 voiced some concern about EPSP's ability to mobilize short-term technical assistance quickly and effectively. In fact, problems with mobilizing short-term consultants of the needed caliber continued until the very end of the project. Even so, the quality of focused technical expertise obtained virtually always more than offset any time premium. The effective cooperation between the project, its home office, and USAID tended to produce positive results.

APPLYING THE LESSONS

Do the lessons from the successful EPSP experience apply more broadly? The short answer is yes. Mongolia has some features that may have helped, such as the small population size, high levels of education, and a strong sense of national identity, but these are at best facilitating factors. The main reason for EPSP's success in shaping economic policies in Mongolia's transition is the entrepreneurial engagement of the project leadership—both USAID and project staff. EPSP leadership had a clear vision of Mongolia as a market economy, and was able to share that vision with its counterparts. At the same time, EPSP leaders were pragmatic in recognizing that building real movement (and ownership) in reforms has an opportunistic element. Specific crises or strains that demand response offer opportunities to apply strategic analysis to identify reform alternatives and assess their implications. As counterparts participate in this process, the solutions become their own, and technical and related assistance becomes the means for implementing their own solutions.

Like any technical assistance project in the policy realm, EPSP mobilized resources to carry out certain activities that produced tangible outputs—reports, drafts of legislative or regulatory texts, position papers, presentations, professional training, and so on. What turned these program outcomes into real policy impacts was the underlying tenet that Mongolia's problems demand Mongolian solutions. That philosophy implies a real partnership based on mutual respect. Building the level of trust needed to shape policy and ensure ownership is as much a matter of style as it is of quality of technical analysis. A healthy balance between these two dimensions of technical assistance is crucial to achieving lasting impact.

ANNEX A

EPSP DOCUMENTS AND REPORTS

EPSP DOCUMENTS AND REPORTS

Banking

08/96 A Program for Resolving the Crisis at Ardyn Bank, Ardo Hanson
10/96 Using the Spreadsheet Program for Calculating the Effects of Resolving Bank Crisis, Ardo Hanson
01/97 Bank Rehabilitation Mission, George Gregorash
06/98 Final Report for the Reconstruction Bank and the Savings Bank, Dan Lowery
06/98 Tables for the Final Report for the Reconstruction Bank and The Savings Bank, Dan Lowery
06/99 Estonian Banking Presentation, Peter Lohmus, Andres Sutt
03/00 Mongolian Banking System Human Resources Evaluation and Action Plan, Mary Miller and Terry Glossop
03/00 Report and Recommendations on Human Resources for the Banking System of Mongolia, Mary Miller and Terry Glossop
03/00 Action Plan for Human Resources for the Bank of Mongolia and the Commercial Banking Sector, Mary Miller and Terry Glossop

Other reports prepared specifically for the Agricultural Bank of Mongolia on internal audit (Jean Wehlau, Dwayne Lohse), marketing (Baiba Liepins), and SME lending (Terry Glossop) are referenced in the final report on the Ag Bank.

Energy

04/97 Mongolia Energy Sector Restructuring, Shibu Dhar
11/97 Impact of Energy Price Increases on Energy Sector Financial Conditions, Bikales, Ganzorig, Gaama
07/98 Report on Recommendations for Reform of the Mongolian Power Sector, IRG
09/98 A Survey with Options for the Restructuring and Privatization of the Power Sector, Hagler Bailly
11/98 Energy Presentation Slides, Hagler Bailly
11/98 The Hungarian Case Study, Gabor Szorenyi, Hagler Bailly
04/99 Mongolian Electric Distribution Sector Losses, John Rabaglia
04/99 Tables and Spreadsheets for Mongolian Electric Distribution Losses, John Rabaglia
12/01 A Sustainable Energy Strategy, James Rizer
02/02 Financial Sustainability of the Mongolian Energy Sector, Gary Vollans
10/02 Commercialization Reports on Darkhan-Selenge
02/03 Electricity Distribution Network, Power Plant#4, Ulaanbaatar Heat Network and Eastern Electricity System: Final Reports, Tom Smith and Levi Hanson
03/02 Sovereign Guaranteed Loans and Borrowing Capacity, Gary Vollans
08/02 Public Education Strategy for Energy Sector Reform, James Swartzbaugh
04/03 The Energy Sector of Mongolia: A Status Report, Paul Teleki
06/03 Tariff Methodology Report for the Energy Sector of Mongolia, Tom Smith

06/03 Review of ERA Consumer Protection Procedures: Concepts, Status and Recommendations, Bill Tucker

A complete list of other energy documents and presentations is found in the Final Report for "Mongolia's Energy Sector Commercialization and Privatization Program by Bumtsetseg D., Shaaluu Ch., and Amgalan N.

Pension

06/97 Final Report-Recommendations for Reform of the Pension System, Chris Bender
06/97 Pension Reform Issues-Recommendations, Chris Bender
04/98 Arguments Against Introducing a Fully Funded System, Chris Bender
05/98 Proposed Specifications for the Transition to Partial Funding, Chris Bender
10/98 Proposed Specifications of the New Pension System, Viktoria Olskaia
01/00 Improving the Collection of Social Insurance Contributions in Mongolia, Chris Murray
06/00 Final Report, Jonathan Tomar
11/00 Final Report of the EPSP Pension Reform Technical Assistance Effort, Christopher Bender and Gregory McTaggart

05/98 Actuarial Justification for the Reform, Chris Bender
10/98 Pension Reform Overview
10/98 Communication Strategy in Support of Pension Reform
10/98 Educational Information on Pension Reform
06/99 Handout on Pension Reform

Macroeconomic

General

08/97 Aid Coordination and Management, Elliot Berg
09/98 Faster Economic Growth in Mongolia-Prospects and Policy Options, Woo, Black, Bikales, Nathanson, Khurelbaatar
01/99 The Implementation by Mongolia of the WTO Valuation Agreement, Mark Siegrist
05/99 Key Priorities and Perspectives for Mongolian Economic Reforms, Jesus Estanislao
04/00 Mongolian Urban Informal Sector, Bill Bikales, Chimed Khurelbaatar and Karen Schelzig
04/00 Poverty in Mongolia: Comparing the 1995 and 1998 LSMS Headcounts, Karen Schelzig
01/02 The Missing Ingredient in Economic Development, Harry Baumann
09/02 The Mongolian Macroeconomic Model, Ernie Stokes
04/03 Proposed Organization and Mandate of the New Unfair Competition Supervisory and Regulatory Authority, Todd Miller and Don Baker

Capital Markets and Financial Sector

09/98 Memo-Revisions to Mongolia's Securities Law, John Chapman
12/02 Development of a Mortgage Backed Securities Market in Mongolia, James France
02/03 Mongolia Insurance Law Review, Richard Carpenter

Environment & Agriculture

04/98 Land Privatization in Mongolia, Peter Bloch
05/98 Crop Sector Management, Financing and Related Policy Issues, Kenneth Eubanks
08/98 Environmental Profile of Mongolia, David Craven, Molly Curtin
06/99 Potential Policy Initiatives for Increasing the Export of Livestock Products, William Albanos
02/00 Two Year Strategic Action Plan for Mongolian Association of Meat Exporters (MAME), William Albanos
12/00 Performance Analysis, Continuing Recommendations and MAME Coordinating Strategic Action Plan 2001, William Albanos
07/01 USAID Cashmere Breeding Program Evaluation Mongolia, Barrie Restall

Privatization

02/96 Privatization Policy Recommendations, Lewis Brandt
02/96 Report on Cash Privatization Issues, Lewis Brandt
09/97 Recommendations on T.A. for Privatization in Mongolia, Gabriel Al-Salem
12/97 Rationale and Method of Privatization of NEFT Import Company, A.Alikhani
02/98 Final Report on Privatization of Large Enterprises, Gabriel Al-Salem
09/01 Review and Comments on the Draft Laws of Mongolia on Land and Land Fees, Norman Singer

Fiscal and Taxation

05/96 Report on Local Government Finance, Juliana Pegey
11/96 Fiscal Policy in Mongolia, Jaroslaw Bauc and Marek Dabrowski
08/97 Intergovernmental Fiscal Relations and Decentralization in Mongolia, Alex MacNevin
09/97 Report on Budget Preparations to the MOF, Hjoerdis Bierman
06/96 Fiscal Policy Making, Planning and Operations, Mark Gallagher
03/00 Report on Transferable Ruble Debt Issues and Strategy, Peter Allen
05/00 Current Issues in Mongolian Tax Policy
04/01 Tax Administration in Mongolia, Dan Dietz
09/02 Corporate Income Tax Simulation Model
04/03 Mongolian VAT Assignment & Final Report: Analysis and Recommendations

* Most of the notes, analysis, shorter papers and presentations prepared by Peter Fairman, Bill Bikales and Harry Baumann have not been included in this listing.